

Written evidence submitted by the Freight Transport Association (FRE0015)

Interpretation

Q. As a baseline, what customs and regulatory procedures do you understand will have to be in place for goods moving east to west? What scope is there for the JC to agree derogations or a loosening of the requirements?

A. From my understanding;

- Tariffs are not payable on movements of goods between different parts of the same customs territory, unless those goods are “at risk of” moving on into the EU (in which case they will pay the EU tariff). There is the potential for tariffs to be paid by default and reimbursed later, provided it has been proven the goods did not end up in the EU.
- The tariff on goods coming into Northern Ireland from another country outside the EU should be the UK’s tariff, again unless the goods are at risk of moving into the EU.
- The UK has the power to reimburse or waive tariffs on goods brought into Northern Ireland, subject to state aid rules which must take into account the circumstances in Northern Ireland. State aid rules continue to apply for any measures affecting trade between Northern Ireland and the EU.
- Customs duties collected in Northern Ireland on EU tariffs are retained by the UK, not paid to the EU.
- EU administrative customs procedures apply in Northern Ireland in order to make sure that goods destined for the EU comply with the correct process. These arrangements have been designed to operate without a Free Trade Agreement between the UK and the EU.
- If an ambitious agreement with low or zero tariffs and quotas is concluded before the Protocol comes into force, then a significant proportion of goods would qualify for zero tariffs. This would only be valid for goods already released for free circulation in the UK or that would qualify as UK goods. There will be a single regulatory zone on the island of Ireland, so that an open border is maintained on the island of Ireland. This involves Northern Ireland aligning with particular EU regulations covering trade in goods.

From my understanding, The Joint Committee that will oversee the implementation of the Ireland/Northern Ireland Protocol and must liaise and consult with key business stakeholders for any new processes to be successfully planned for and delivered. As the movement of goods is a primary focus of the Protocol, it is therefore vital that logistics is front and centre in the design and testing of all arrangements.

Logistics is an adaptable industry that can quickly react to changing circumstances, new risks and opportunities, but to do so, it needs advanced notice of the changes that are to come. On both sides of the Irish Sea, businesses and logistics providers need to have timely clarity on operational requirements and new processes so they have enough time to implement them.

Minimise frictions, red tape and costs for industry.

Trade facilitation measures can help reduce additional requirements and red tape for traders and their logistics providers, while the UK is outside the EU's single market and customs union. Our industry needs:

- A safety and security agreement removing the need for entry and exit summary declarations between Great Britain and Northern Ireland. For this to work, it would also be likely that the same process would likely be required on shipping between Great Britain and Ireland.
- A mutual recognition agreement for Authorised Economic Operator (AEO) status which would provide AEO accredited businesses with access to AEO benefits on both sides of the Irish Sea, including additional facilitations at UK and EU borders.
- A Sanitary and Phytosanitary (SPS) agreement removing the need for physical checks on agri-food products and other plant products and products of animal origin, or at least reducing their prevalence drastically, as in the EU-New Zealand SPS agreement.
- Zero tariffs and quotas for UK products in the EU and EU products in the UK.
- Preferential rules of origin (which goods must comply with in order to be eligible for zero tariffs and quota provisions in an EU-UK trade agreement) must be transparent and not overly complex.
- They must at least allow for 'bi-lateral cumulation', so that products partly produced in the EU and partly produced in the UK can benefit from zero tariff and quota access to both the EU and UK markets.
- Whenever possible, 'diagonal cumulation', which would allow products partly produced in the EU and in the UK to benefit from preferential access granted by both EU and UK trade agreements with third countries, should be negotiated with key trading partners.

Q. How should the Joint Committee define an 'at risk' good? What criteria might it use?

A. 'At Risk' goods are defined as those goods which could end up moving into the EU. The conditions in which goods are not considered "at risk of moving into the EU" are set out, although final decisions are delegated to the UK/EU Joint Committee. Industry needs to identify ways and means to demonstrate what goods moved from Great Britain to Northern Ireland would be classified as 'not at risk' and to then make use of a facilitation to avoid unnecessary formalities and checks.

Before the end of the transition period, the Joint Committee will establish the criteria for considering which goods brought into Northern Ireland from outside the EU are 'not at risk' of subsequently being moved into the EU. Consideration should be given to the unique geographical situation regarding trade entering the island of Ireland and where goods

entering from Great Britain can be identified as 'not being at risk' to the single market, derogations should be applied to such trade to ensure continued frictionless transit and minimal formalities.

Q. What is your understanding of the term 'unfettered access' as it applies to goods moving from NI to GB? What checks may be needed on such goods?

A. I believe unfettered to mean there will be no checks on goods. Ensuring that Northern Irish businesses will continue to have unfettered access to the rest of the UK market.

Checks could have a simplified approach recognising the nature of all-island supply chains and the use of Dublin Port for 'Just in time' freight to Great Britain should be adopted and recognised by the UK and EU to ensure continued unfettered access of Northern Irish goods to the GB market.

This could include for example be achieved using: a new trusted trader scheme to allow intra-company movements to have priority if selected for borders control at ports; Incentivised uptake of Customs Transit facilitations to enable businesses to clear goods at their distribution centres; and a new Environmental Health trusted trader facilitations to let agri-food goods be vet-certified at manufacturing facilities.

Simplified controls for Northern Irish goods to Great Britain via Republic of Ireland.
Goods manufactured in Northern Ireland but stored in Ireland or shipped via Dublin before delivery to Great Britain must avoid the costly and burdensome task of transit formalities in order to remain competitive within the UK internal market.

There are a range of detailed technical requirements connected to the regulatory zone. They also specifically enable the UK to ensure that Northern Irish businesses will continue to have unfettered access to the rest of the UK market. Any processes normally required for goods entering the EU will be implemented at the Northern Ireland-Rest of World border or on trade moving East-West between Great Britain and Northern Ireland. For as long as Northern Ireland participates in the customs arrangements and regulatory zone, there will therefore be processes to ensure that goods entering Northern Ireland destined for the EU pay the right duty and that all goods comply with the appropriate rules. The implementation and application of these arrangements will be managed by UK authorities in accordance with the arrangements set out in the Protocol. However, EU representatives can also request to be present at customs or regulatory inspections.

Q. Might there be different arrangements for different sectors of the economy - for example how would the protocol apply to fish caught by boats based in NI or lorries bringing goods from GB to NI supermarkets.

A. Derogations for qualifying trade flows. Freight into Northern Ireland is dominated by retail and accounts for approximately 65% by value of all freight via Roll-on/Roll-off into

Northern Ireland from Great Britain while 19% of goods from GB is for local manufacturing. This freight is ultimately arriving at 'dead end hosts' as it is solely destined for sale at retail stores within Northern Ireland. Derogations should be given to this trade flow to Northern Ireland retail, perhaps involving an accredited audit, so that it can avoid checks in transit and onerous administrative formalities. This would mean the majority of trade from Great Britain to Northern Ireland can continue to move efficiently in a 'just-in-time' market.

Implementation

Q. How much do we know about how the Protocol will operate in practice? What remains unclear?

A. As much as been published within the withdrawal agreement. In regards the Joint Committee working on the protocol and determined by them, we are still unclear whether UK will agree free trade agreement with EU/UK. As the movement of goods is a primary focus of the Protocol, it is therefore vital that logistics is front and centre in the design and testing of all arrangements.

What still remains unclear is the level of regulatory controls especially around SPS checks (Sanitary and Phytosanitary) as this all depends on how UK will align with EU standards. Will there be any differential rates in NI compared to rest of UK/NI. Logistics providers need simplified processes due to nature of trade carried out.

Q. What information will NI businesses and other stakeholders need in order to operate under the Protocol? When will they need this information in order to properly prepare? What would be the consequences if this time is not available? What financial support has been offered by the UK Government/NI Executive to help NI businesses prepare?

A. More Clarity. As of today, we are still unsure exactly how the protocol will be implemented come 1st January 2021. 7 months from now. Yet as businesses we are expected to have fully prepared to leave on this date. With the added complication of Covid 19, the countdown is still on. The UK Government is yet to provide a full breakdown of what is expected for businesses operating East to West.

How will ports operate, how can we submit paperwork, will there be a green/red light system in operation, will there be driver welfare areas, will there be derogations in place, has there been zero tariffs agreed? Ideally all this information and more should be published today, latest tomorrow, as every day later is too late.

The Northern Ireland Department for Economy published its customs capacity study with service providers in March 2020 that concluded that one third of interviewees said they have recruited additional staff in the past 12 months to work on customs procedures, and a further two companies said that recruitment had taken place within their GB customs operations in preparation for Brexit. However, most service providers were adopting a 'wait and-see' policy until they have greater clarity as to the actual implications the Protocol will

have on the local economy. The research emphasised that service providers and their clients will require clear guidance from government to understand the practical implications of the revised Protocol in order to put the necessary plans in place for customs administration. Given that the sector estimates it takes six months to train new recruits to a reasonable level of capability, recruitment therefore would need to commence in the first half of 2020. Consequences for failing to provide this clarity and information in a timely manner can lead to delays at port, shortage of drivers, shortage of goods; including foods, medicines, PPE, manufactured parts and/or fines by HMRC for failing to complete documentation correctly.

Industry on both sides of the Irish Sea face significant challenges as many may need to complete customs documentation and other formalities for the first time at the end of the transition period. There is a substantial customs agent shortage in the UK with Northern Ireland businesses facing added pressure due to the potential formalities associated with the protocol that will not be faced by other UK businesses in Great Britain. The UK government along with government departments and agencies in Northern Ireland need to urgently address this shortage of customs agents. Co-funded training or making it available under apprenticeships should be provided for those new to completing customs and other declarations. Small and medium sized enterprises will rely on logistics providers and customs agents to manage any new formalities. In 2017, Large businesses with more than 250 staff accounted for 41% of the total value of goods (£4.3bn) purchased by Northern Irish businesses from GB with the remaining 59% (£6.3bn) being purchased by micro, small and medium businesses. It is therefore critical that logistics service providers to such businesses in Northern Ireland are supported to ensure they have appropriately trained staff and capacity to service the local economy.

As with UK Government support through Covid 19 with the Trade Credit Insurance guaranteed by government, similar schemes should be set up to assist SME's with customs guarantee schemes with HMRC, providing government backed incentives to help business set up and navigate the protocol come January 2021.

For those businesses who are being proactive and have started training staff on completion of customs documentation, which has only been available via theory/classroom settings, as we have currently no way to access live customs information nor access to live customs software. A good analogy I was given to sum up customs preparations - you don't learn to drive a car without getting behind a wheel.

Ultimately leading to delays, mistakes, problems, submission errors and possible fines come January.

HMRC Customs Intermediary Grant should be extended until end 2021 to allow business to cover costs for customs software platforms and in house training with live customs data. Providing on the job training and support for business post Covid 19 and in 'real time'.

Q. What steps may be needed to implement the Protocol, for example: new infrastructure and staff? Whose responsibility will it be to take these steps? How much progress has been made so far? How are preparations being affected by the Covid 19 pandemic?

A. There are 2 options to most businesses regarding implementation of protocol 1) complete required protocol processes 'in-house' meaning upskilling staff, re-training staff, recruit new staff, adhere to HMRC's requirements and provide adequate bonds, investment in AEO accreditation, Invest in additional infrastructure i.e. bonded warehousing, computer software, AEO accreditation, trusted trader status. All of which require a lot of time and large financial resources.

Secondly, instruct a specialist, normally a freight forwarder to assist in the processes associated with the protocol. However this is already proving problematic i.e. freight forwarders are not signing up new customers, due to the fact their current customers will deplete their resources in implementing protocol.

In both instances it is the UK Governments responsibility to assist business in their preparations now and during the transition phases.

Most business are or had been preparing for a No Deal Brexit and this is still the stance for many businesses here in NI, especially hauliers. However, due to Covid-19 many of these plans have been placed on hold or stopped. Since March, due to business restrictions, which has placed hardship on many, all Brexit preparations have ceased and those members of staff on furlough cannot undertake Brexit training as this is deemed (under Gov guidance) to be of benefit to the business. Meaning, until restrictions are lifted and cash flow increases within businesses most if not all Brexit preparations may cease or be postponed – unless UK Government provide additional reassurances of support in the interim. Proving even greater uncertainty for January 2021.

Finishing, I also wish to highlight, political commentary in recent months has been contradicting, and what is said in political commentary needs to be aligned with detail included within the Withdrawal Agreement.

As a local NI haulier transporting goods from East to West, hearing such contradicting information makes it very difficult and frustrating to be able to plan both for ourselves and our operations and provide advice to our customers in preparation for 1st January 2021.

Without the detailed knowledge and regular advice provided by FTA for our industry we along with many others would be left in a very precarious position with the Brexit deadline moving ever closer. There are so many businesses who have not planned nor made any attempt too, due to the political comments.

May 2020



Committee on the Future Relationship with the European Union

House of Commons, London, SW1A 0AA

Email: freucom@parliament.uk Website: www.parliament.uk/freucom

01 May 2020

Pamela Dennison
Chair
Freight Transport Association Northern Ireland

Dear Ms Dennison,

The House of Commons Committee on the Future Relationship with the European Union is inquiring into the progress of the negotiations between the UK and the EU. Under normal circumstances, the Committee holds regular oral evidence sessions in Westminster. However, measures to prevent the spread of the coronavirus make this difficult.

The Committee is keen to gather as much evidence as possible to inform its deliberations so I am writing to you to ask whether you would be willing to help us with our work by making a written submission. We welcome general responses to our [call for evidence](#), which was published on 4 March. We also hope that you would be willing to answer some of the more specific questions set out below on issues that fall within your area of expertise. Such submissions need not address every bullet point and can include other matters that you think are relevant to the negotiations and should be drawn to the attention of the Committee.

Interpretation

- As a baseline, what customs and regulatory procedures do you understand will have to be in place for goods moving east to west? What scope is there for the JC to agree derogations or a loosening of the requirements?
- How should the Joint Committee define an ‘at risk’ good? What criteria might it use? What would a permissive approach look like, versus a stricter interpretation? What would be the consequences of these differing approaches for the NI and all-island economies?
- What is your understanding of the term ‘unfettered access’ as it applies to goods moving from NI to GB? What checks may be needed on such goods? What risks might unfettered access pose to the UK internal market and trade policy, and NI and UK economies?
- Might there be different arrangements for different sectors of the economy - for example how would the protocol apply to fish caught by boats based in NI or lorries bringing goods from GB to NI supermarkets?
- How might different types of future relationship between the UK and EU affect how the Protocol operates? If the UK diverges significantly from EU regulations would this lead to a hardening of the border in the Irish sea? What happens if no future relationship agreement is reached? How might the Protocol interact with future trade deals between the UK and third countries?
- What would happen if the UK and EU do not agree on how the Protocol should work? If this were to happen, what are the UK’s obligations under the Withdrawal Agreement and UK domestic law? How might these obligations be enforced?

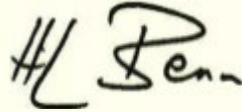
Implementation

- How much do we know about how the Protocol will operate in practice? What remains unclear?
- What information will NI businesses and other stakeholders need in order to operate under the Protocol? When will they need this information in order to properly prepare? What would be the consequences if this time is not available? What financial support has been offered by the UK Government/NI Executive to help NI businesses prepare?
- What steps may be needed to implement the Protocol, for example: new infrastructure and staff? Whose responsibility will it be to take these steps? How much progress has been made so far? How are preparations being affected by the Covid 19 pandemic?

- To what extent have NI stakeholders been consulted by the UK Government about the operation of the Protocol? Have they been listened to? What role would you expect NI stakeholders to play in the Specialised Committee on Northern Ireland and its working groups?
- To what extent does the Protocol maintain the UK internal market and the all-island economy? What challenges might businesses in NI face as a result of the Protocol? Which sectors of the Northern Irish economy and types of businesses may be most affected?

The Committee staff will be happy to discuss the inquiry, any issues raised, or the process for submitting written evidence. You can contact them at freu@parliament.uk.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'H/ Benn'.

Hilary Benn
Chair of the Committee